

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Australia

## Sugar Annual

## 2012

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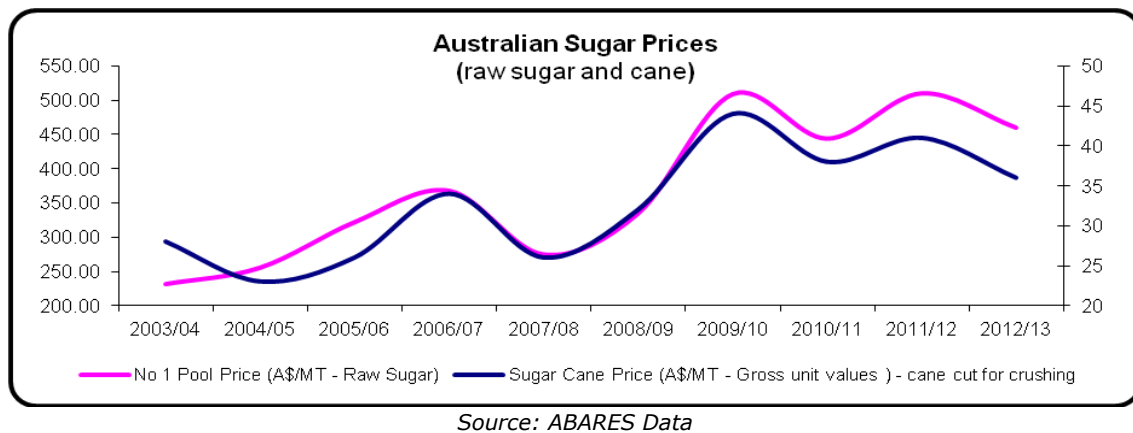
**Report Highlights:**

Following an almost decade-long cycle of extreme weather events, the Australian sugar cane industry is expected to continue to grow, supported by increased cane crush and improved commercial cane sugar (CCS) content. Total sugar production in 2012/13 is forecast to increase sharply to 4.5 MMT (IPS), the highest level of production since 2008/09. Sugar exports in 2012/13 are forecast to increase to 3.0 MMT.

## Executive Summary:

The Australian sugar cane industry is forecast to continue growing its productive capacity following the almost decade-long cycle of extreme weather events (including record breaking droughts followed by cyclones and flooding). The production and export of sugar are expected to increase sharply in 2012/13. Industry sources expect these increases to continue beyond the forecast period and into 2013/14.

While sugar prices are expected to fall somewhat in 2012/13, they are expected to remain at levels considered historically high. Area planted to cane is expected to steadily increase in response to above-average sugar prices and a decline in competition from industries which compete for land (e.g., planted timber).



A return to "more normal" weather conditions combined with historically high prices, will likely see an increase in planted area, yield, production and exports.

Over the longer term, total productivity will likely increase to levels more reflective of the longer-term-average. However, planted area or production records are not expected to be broken as some key challenges remain for the cane sugar industry.

## Commodities:

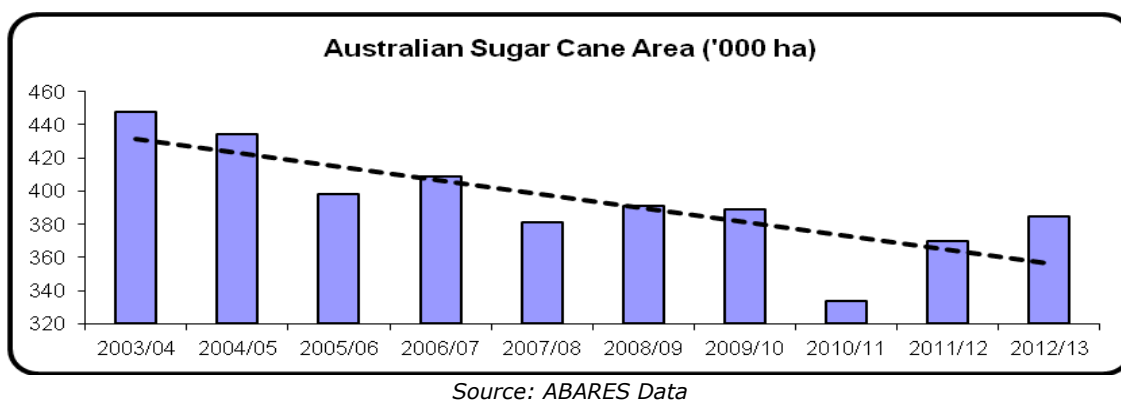
Sugar Cane for Centrifugal

Sugar, Centrifugal

## Total Cane Area (cut for crushing)

Total cane area cut for crushing in 2012/13 is forecast at 380,000 hectares, the highest level since 2009/10. Improved profitability and climatic conditions are expected to see areas moved back into cane production from other land uses. A decline in the competitiveness in industries which compete for land area, such as planted timber, will likely make available more land for growing sugar cane.

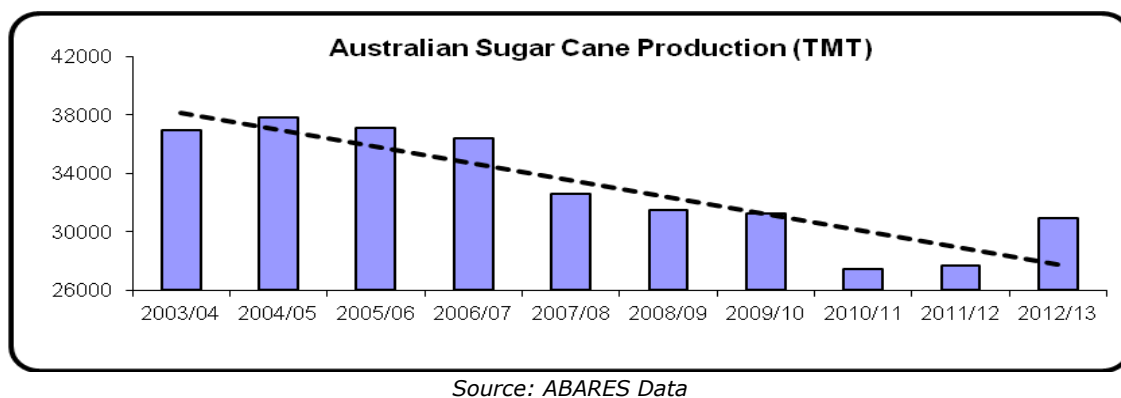
The total area to be cut for crushing in 2011/12 is estimated at 366,000 hectares, in-line with industry estimates. The revised estimate is lower than the area previously reported by Post as the recovery from cyclones and severe flooding is taking longer than previously anticipated. Industry sources suggest that up to 60,000 hectares were taken out of production following the severe weather events of 2009/10 and 2010/11.



Area planted to sugar cane is anticipated to continue to increase beyond the forecast period and according to industry sources could reach as high as 400,000 hectares over the long-term. Despite this increase, this figure remains well below the record area of 448,000 hectares achieved in 2002/03.

## Sugar Cane Production

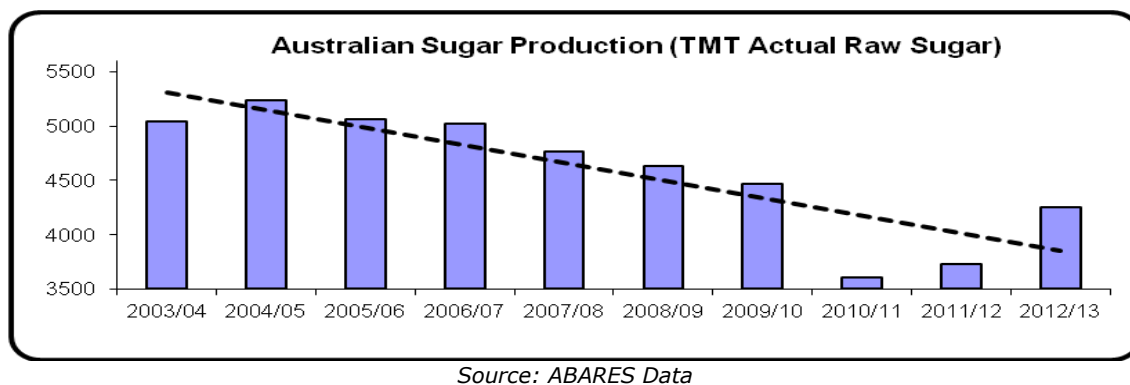
Total sugar cane production for 2012/13 is forecast at 31.0 MMT, up significantly on the revised estimate for the previous year. A projected increase in harvested area coupled with improved cane yield is expected to support the increase.



Sugar cane production for 2011/12 is estimated at 28.0 MMT, down significantly from Post's previous report. Lower than expected harvested area and a poorer cane yield per hectare, due to extreme weather events, caused a downward revision in total cane production.

## Sugar Production

Total sugar production in 2012/13 is forecast to increase sharply to 4.5 MMT (IPS), roughly equal to around 4.34 MMT of sugar in typical raw form. If achieved, this would be considered the highest level of production since 2008/09. An increased cane crush coupled with improved commercial cane sugar (CCS) content is likely to see sugar production increase significantly.



An average commercial cane sugar (CCS) content of 14.5 percent has been assumed, representing an increase on the 13.9 percent estimated for the previous year. A return to more normal weather conditions is expected to see CCS content improve significantly.

Total sugar production in 2011/12 has been revised downwards to 3.9 MMT. Extreme weather events, such as cyclones, greatly reduced the cane crush as well as reduced CCS content.

## Exports

Total exports are forecast to increase to 3.0 MMT in 2012/13. Increased production and relatively strong export demand are expected to see exports increase. The strong Australian dollar is however, expected to present a constraint to higher exports and contribute to higher ending stocks.

Total exports for 2011/12 have been revised downwards slightly to 2.80 MMT, as lower than expected production has reduced the supply of sugar available for export.

Imports for 2012/13 are forecast at 165,000 MT. The estimate for total imports of sugar for 2011/12 has been revised upwards to 180,000 MT, which could well be a record level of imports. This increase is primarily driven by an increase in bulk sugar imports. Media reports purport that in 2011/12 bulk sugar was imported from Thailand in response to a temporary shortage. Despite this increase in imports, total imports continue to be small compared with total production.

Approximately 40,000 tonnes of raw sugar is believed to be imported in April 2012 from Thailand into Mackay to increase declining stores. Industry sources report that Mackay's sugar industry had its worst year on record, losing up to \$80 million in revenue due to extraordinary rainfall forcing farmers to leave 1.4million tones of cane unharvested. Due to extended wet weather conditions last season the harvest could not be completed and not

[illegible]

| Sugar, Centrifugal     | 2010/2011                   |          | 2011/2012                   |          | 2012/2013                   |          |
|------------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
| Australia              | Market Year Begin: Jul 2010 |          | Market Year Begin: Jul 2011 |          | Market Year Begin: Jul 2012 |          |
|                        | USDA Official               | New Post | USDA Official               | New Post | USDA Official               | New Post |
| Beginning Stocks       | 413                         | 413      | 193                         | 193      |                             | 73       |
| Beet Sugar Production  | 0                           | 0        | 0                           | 0        |                             | 0        |
| Cane Sugar Production  | 3,700                       | 3,700    | 4,150                       | 3,900    |                             | 4,500    |
| Total Sugar Production | 3,700                       | 3,700    | 4,150                       | 3,900    |                             | 4,500    |
| Raw Imports            | 16                          | 16       | 18                          | 40       |                             | 20       |
| Refined Imp.(Raw Val)  | 147                         | 147      | 147                         | 140      |                             | 140      |
| Total Imports          | 163                         | 163      | 165                         | 180      |                             | 165      |
| Total Supply           | 4,276                       | 4,276    | 4,508                       | 4,273    |                             | 4,738    |
| Raw Exports            | 2,550                       | 2,550    | 2,750                       | 2,650    |                             | 2,800    |
| Refined Exp.(Raw Val)  | 200                         | 200      | 200                         | 200      |                             | 200      |
| Total Exports          | 2,750                       | 2,750    | 2,950                       | 2,850    |                             | 3,000    |
| Human Dom. Consumption | 1,333                       | 1,333    | 1,250                       | 1,350    |                             | 1,375    |
| Other Disappearance    | 0                           | 0        | 0                           | 0        |                             | 0        |
| Total Use              | 1,333                       | 1,333    | 1,250                       | 1,350    |                             | 1,375    |
| Ending Stocks          | 193                         | 193      | 308                         | 73       |                             | 363      |
| Total Distribution     | 4,276                       | 4,276    | 4,508                       | 4,273    |                             | 4,738    |
|                        |                             |          |                             |          |                             |          |
| 1000 MT                |                             |          |                             |          |                             |          |

## Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:  
<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>.

| Title of Report                                                                     | Date     |
|-------------------------------------------------------------------------------------|----------|
| <a href="#">Cotton and Products Annual 2012</a>                                     | 12/03/29 |
| <a href="#">Grain and Feed Annual 2012</a>                                          | 12/02/20 |
| <a href="#">Wine Annual 2012</a>                                                    | 12/03/15 |
| <a href="#">Livestock and Product Semi-annual 2012</a>                              | 12/03/13 |
| <a href="#">Grain &amp; Feed Lock-Up – February 2012</a>                            | 12/01/24 |
| <a href="#">Citrus Annual 2011</a>                                                  | 11/12/07 |
| <a href="#">Grain and Feed Update – November 2011</a>                               | 11/01/11 |
| <a href="#">Dairy Annual 2011</a>                                                   | 10/14/11 |
| <a href="#">Sugar Semi Annual 2011</a>                                              | 09/16/11 |
| <a href="#">Livestock and Products Annual 2011</a>                                  | 08/31/11 |
| <a href="#">FAIRS Country Report</a>                                                | 08/17/11 |
| <a href="#">Stone Fruit Annual 2011</a>                                             | 08/11/11 |
| <a href="#">US Cherries Break Through Quarantine Barrier into Western Australia</a> | 07/19/11 |